

**SUPPLEMENTAL NEW DECISION ITEM**

Department of Natural Resources \_\_\_\_\_  
 Division of Environmental Quality \_\_\_\_\_  
 CW DW SRF Approp Increase **DI#** \_\_\_\_\_

House Bill Section \_\_\_\_\_

Original FY 2025 House Bill Section, if applicable \_\_\_\_\_

**1. AMOUNT OF REQUEST**

FY 2025 Supplemental Budget Request				
	GR	Federal	Other	Total
PS	0	0	0	0
EE	0	0	0	0
PSD	0	0	144,865,833	144,865,833
TRF	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>144,865,833</b>	<b>144,865,833</b>

FTE                      0.00                      0.00                      0.00                      0.00  
 POSITIONS                      0                      0                      0                      0

NUMBER OF MONTHS POSITIONS ARE NEEDED: \_\_\_\_\_

**Est. Fringe**                      0                      0                      0                      0

*Note: Fringes budgeted in House Bill 5 except for certain fringes budgeted directly to MoDOT, Highway Patrol, and Conservation.*

Other Funds: Water and Wastewater Loan Revolving Fund (0602)  
 and Water and Wastewater Loan Fund (0649)  
 Non-Counts:

FY 2025 Supplemental Governor's Recommendation				
	GR	Federal	Other	Total
PS	0	0	0	0
EE	0	0	0	0
PSD	0	0	0	0
TRF	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

FTE                      0.00                      0.00                      0.00                      0.00  
 POSITIONS                      0                      0                      0                      0

NUMBER OF MONTHS POSITIONS ARE NEEDED: \_\_\_\_\_

**Est. Fringe**                      0                      0                      0                      0

*Note: Fringes budgeted in House Bill 5 except for certain fringes budgeted directly to MoDOT, Highway Patrol, and Conservation.*

Other Funds:  
 Non-Counts:

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**2. WHY IS THIS SUPPLEMENTAL FUNDING NEEDED? INCLUDE THE FEDERAL OR STATE STATUTORY OR CONSTITUTIONAL AUTHORIZATION FOR THIS PROGRAM.**

In the 2024 session, the legislature reduced State Revolving Fund (SRF) pass through appropriations by \$97.8M related to Clean Water (CW) and Drinking Water (DW) SRF capital infrastructure projects across the state. It is imperative for the program to maintain full authority in the event numerous or large water infrastructure projects pursue funding within the same fiscal year. Through this Supplemental, the department is requesting \$145M to restore its previous authority along with an increase to address current record demand.

The CW and DW SRF programs operate through a cooperative agreement with the US Environmental Protection Agency (EPA) and are managed by the Financial Assistance Center (FAC). The CWSRF is managed in accordance with the Clean Water Act Section 606 and the operation and management of the program is directed by state regulations 10 CSR 20-4.040, 10 CSR 20-4.041, and 10 CSR 20-4.050. The DWSRF is managed in accordance with the Safe Drinking Water Act and the operation and management of the program is directed by state regulations 10 CSR 60-13.020 through 10 CSR 60-13.030.

The FAC is responsible for establishing, operating, and administering the program to provide low interest loans and a limited number of grants. Missouri applies to EPA annually for capitalization grants to fund its SRF programs. These federal funds, combined with revolving fund cash, loan repayments, the required state match, and interest earnings, are made available to Missouri communities to help plan, finance, and build water infrastructure projects that improve water quality and provide safe drinking water to Missourians.

Due to low demand in the past few years, the FAC has lapsed pass-through authority. However, demand has increased significantly with the announcement of over \$827M in additional SRF funding through the Infrastructure Investment and Jobs Act (IIJA) over a five-year period. The additional IIJA funding, combined with cash on hand, and future loan repayments provides the SRF with enough resources to make commitments to fund 87 projects totaling approx. \$1.04B by June 30, 2025. The FAC uses cash flow modeling/financial planning to identify all cash flows associated with the SRF program over time, including loan disbursements and repayments, earnings on investments, and bond issuance and repayment. The cash flow model allows the program to make early loan commitments that will fully utilize funds available when the planned projects are ready to close on their loans. SRF funding commitments are contained within the annual Intended Use Plans and project lists. A typical SRF project takes 12-18 months from application to loan closing followed by an additional 20-36 months to draw (spend) the funds during project construction. Adequate appropriation and encumbrance authority must be maintained to disburse funds to all projects that are expected to begin construction in FY 2025.

The SRF approp. is 100% pass-through and ensures the state can offer below market rate financing to municipalities and water/sewer districts to meet their water infrastructure needs. It is relied upon by many municipalities and water/sewer districts to provide a stable source of low cost financing and grant funding for critical infrastructure work. Without an increase, essential water infrastructure projects will go unfinanced or be unduly delayed. Without the increase, the FAC may delay loan closings and will be forced to delay loan disbursements until the start of FY 2026 when new annual authority is available. Loan closing delays will impact the interest rate (which is set at closing based on the market rate) and may result in contract disputes. Delays in disbursing SRF funds to a loan recipient for construction costs it has incurred will cause a financial hardship to not only the borrower, but also the engineers and contractors working on these projects. Results will likely include work stoppage, contract disputes and payroll disruptions.

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**3. DESCRIBE THE DETAILED ASSUMPTIONS USED TO DERIVE THE SPECIFIC REQUESTED AMOUNT. (How did you determine that the requested number of FTE were appropriate? From what source or standard did you derive the requested levels of funding? Were alternatives such as outsourcing or automation considered? If based on new legislation, does request tie to TAFP fiscal note? If not, explain why.)**

The following estimates were derived by using the draft FFY 2025 Clean Water and Drinking Water SRF IUPs Project Priority Lists and planning schedules for 87 projects that borrowers plan to begin by June 30, 2025.

FY 2025 projected financial assistance to be awarded:

CWSRF \$941,264,127 and DWSRF \$50,839,039

FY 2025 projected disbursements from financial assistance awards (projects take 20 to 36 months to draw their funds):

The projected FY 2025 appropriation shortfall is approximately \$145M.

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**4. BREAK DOWN THE REQUEST BY BUDGET OBJECT CLASS, JOB CLASS, AND FUND SOURCE.**

Budget Object Class/Job Class	Dept Req GR DOLLARS	Dept Req GR FTE	Dept Req FED DOLLARS	Dept Req FED FTE	Dept Req OTHER DOLLARS	Dept Req OTHER FTE	Dept Req TOTAL DOLLARS	Dept Req TOTAL FTE
							0	0.0
							0	0.0
<b>Total PS</b>	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>0.0</u>	<u>0</u>	<u>0.0</u>	<u>0</u>	<u>0.0</u>
							0	
							0	
							0	
							0	
							0	
							0	
							0	
<b>Total EE</b>	<u>0</u>		<u>0</u>		<u>0</u>		<u>0</u>	
Program Distributions					144,865,833		144,865,833	
<b>Total PSD</b>	<u>0</u>		<u>0</u>		<u>144,865,833</u>		<u>144,865,833</u>	
Transfers							0	
<b>Total TRF</b>	<u>0</u>		<u>0</u>		<u>0</u>		<u>0</u>	
<b>Grand Total</b>	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>0.0</u>	<u>144,865,833</u>	<u>0.0</u>	<u>144,865,833</u>	<u>0.0</u>